



Q1-26 Investment Letter (No. 75)

April 27, 2026

OVERVIEW

Dear Clients & Friends,

We are pleased to provide this quarterly report for the period ended March 31, 2026. This report will be divided into three sections: (1) What's New, (2) Market Recap and (3) Commentary.

WHAT'S NEW

ACCOUNT CONTRIBUTIONS

There are numerous benefits to contributing to your investment accounts regularly, including:

- Increasing your savings for retirement, emergencies, children's education, a home purchase, or other purposes. We aim to target securities that are discounted, provide great value, attractive income, or growth opportunities.
- Take advantage of *dollar cost averaging*, where securities are purchased at regular intervals to lower your average cost over time and thereby increase your overall returns. This is especially effective in periods of market decline.
- Some contributions may generate additional grant or bond payments from the government when deposited to education or disability savings plans (subject to contribution room and government grant/bond conditions).
- Tax deduction from RRSP contributions. RRSP contributions are tax deductible and will reduce tax owing which may result in a tax refund.

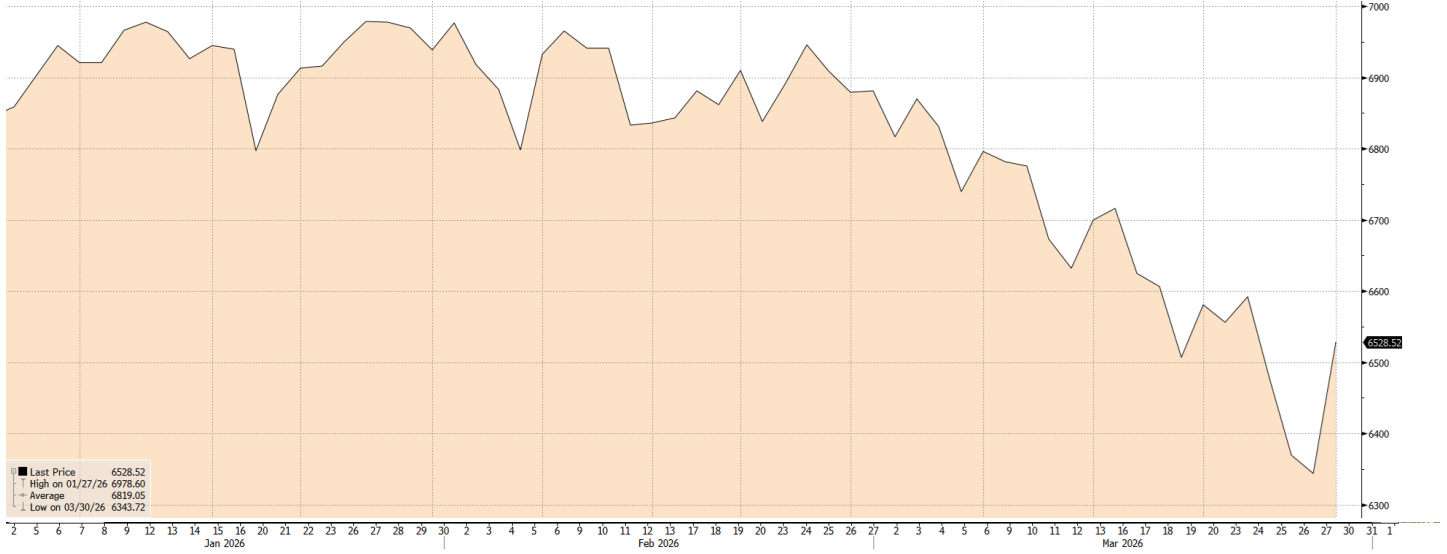
There are many convenient ways you can deposit to your investment accounts. You can make a bill payment (not e-transfer) through your online banking, electronically sign a form for a one-time pull from your bank account or write a cheque. You may make a one-time deposit or set up automatic recurring deposits with a frequency that works well for you. We remind all clients to check their contribution room for any registered accounts before contributing. For instructions or assistance with any of these methods or help checking your room with Canada Revenue Agency, please [contact](#) our office and speak with our Administration & Client Experience team.

MANDATORY TWO-FACTOR AUTHENTICATION (2FA)

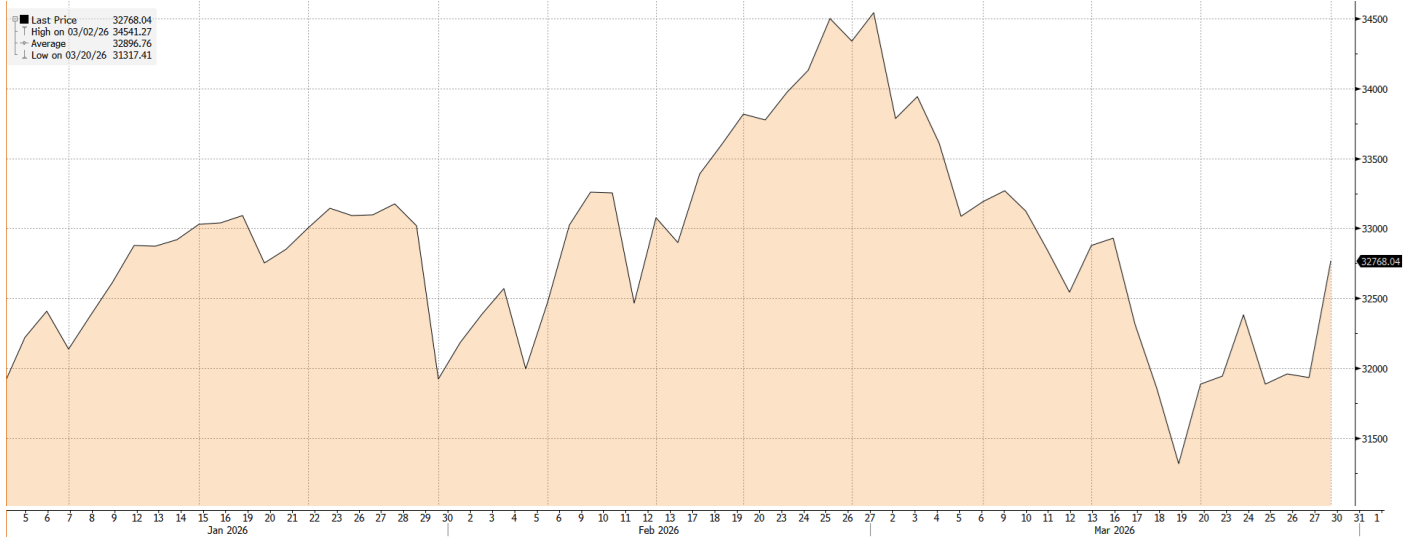
In our efforts to ensure the highest level of privacy and security for your data, mandatory two-factor authentication (2FA) will be rolled out to any users that are not already enrolled. All accounts will still have a user ID and password as the first method of verifying your identity. Under the new 2FA process, you will automatically receive a text to your cell phone when you try to log in with a one time code to enter. This change will be applicable to our firm's client portal, accessible [here](#). Please be aware that a member of our team will reach out to you if you do not already use this service. As another security precaution, any online access that has not been used for an excessively long period will be deactivated. Access can easily be restored by contacting our office.

MARKET RECAP

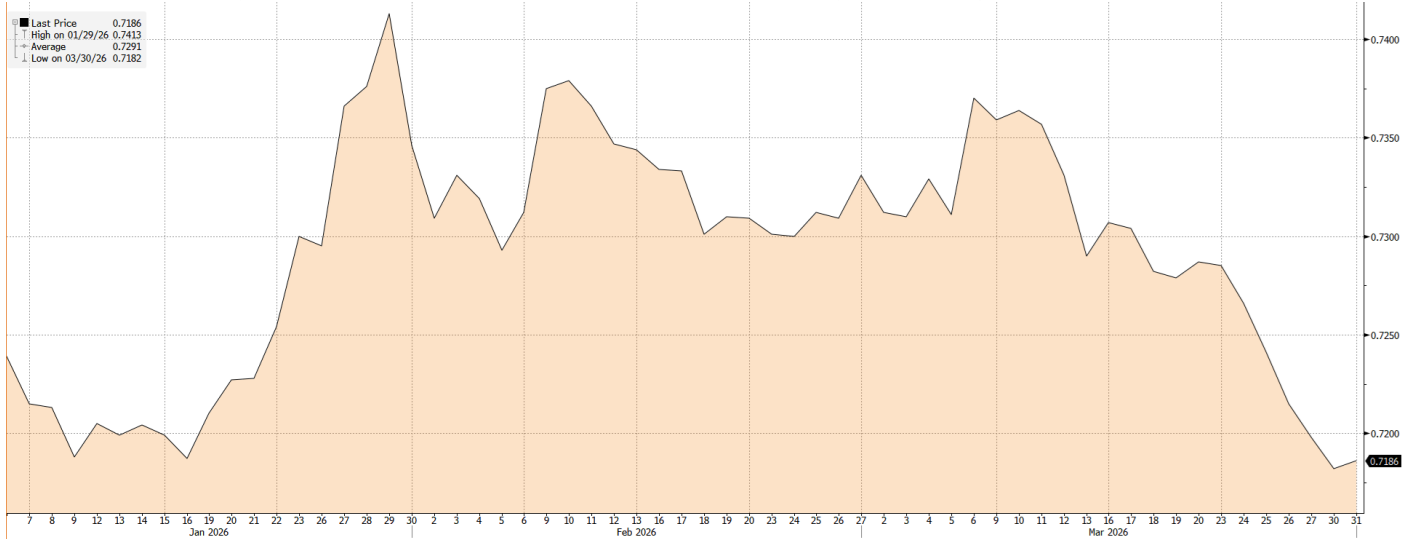
The S&P 500 Index (in USD) declined 5.08% in the quarterly period ending March 31, 2026.



The S&P/TSX Composite Index gained 2.99% in the quarterly period ending March 31, 2026.



The Canadian Dollar quoted in USD (CADUSD) fell by 1.51% for the quarterly period ending March 31, 2026.



COMMENTARY

Part 1. Top-Down vs. Bottom-Up

Our investment letters typically start with a top-down discussion. A top-down view starts at 30,000 feet and does broad analysis of macroeconomic factors – basically everything going on that might affect investments. In this investment letter, we will get into the weeds and put on our fundamental analyst hat. We will look at an individual security (CT REIT) and decide whether to buy, hold or sell it regardless of top-down economics. This is known as a bottom-up investment approach.

We have written before that we do not engage in deep value or aggressive growth investing. We prefer something in between. Institutions call this style GARP or growth-at-a-reasonable-price. We look for securities that we think may be temporarily out of favor but still have long term growth fundamentals.

On the value side, we are not really interested in companies trading at a deep discount as we have learned that they often have a good reason for being cheap.

Conversely, we are cautious about companies that are popular (with price momentum) or those that are considered high growth. These can be securities that are trading at a high valuation or are being bought simply because they are going up. No one is smart enough to get out at the peak. In extreme growth, a stock that goes up parabolically will see the greedy side of human nature come alive. Few investors are able to sell when others are aggressively buying, and vice versa.

A company that fits our style is CT REIT, or Canadian Tire REIT. REIT stands for “real estate investment trust”. To maintain REIT status, REITs must pay out 90% of taxable income to shareholders. *We have owned this company for many years and we continue to own it because we still think it has value relative to its long-term growth.*

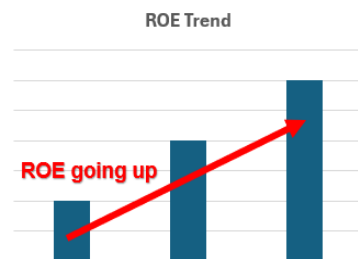
CT REIT was spun out of Canadian Tire Corporation in 2013. Canadian Tire Corporation continues to own real estate, namely properties upon which sits a Canadian Tire location. Canadian Tire Corporation uses a franchise model, where an individual is given the rights to operate a retail location, and pays rent to the landlord (either Canadian Tire Corporation or CT REIT). Over time the corporation has continued to vend properties to its public subsidiary CT REIT, which is the source of acquisition growth.

What we like about CT REIT. The 2025 annual report is over 100 pages long, so we will just condense this to some highlights.

a) **Return on equity (ROE)** is the annual net income divided by shareholder’s equity. This tells us how much of the annual profit is generated from each dollar that shareholders have put into the company.

Table 1 – Return on Equity (ROE)

ROE Calculation	2023	2024	2025
(A) Net Income (\$000)	229,434	434,221	517,087
(B) Shareholders Equity (\$000)	3,847,769	4,098,755	4,410,882
A/B % = ROE	6.0%	10.6%	11.7%
Source: CT REIT audited annual statements			

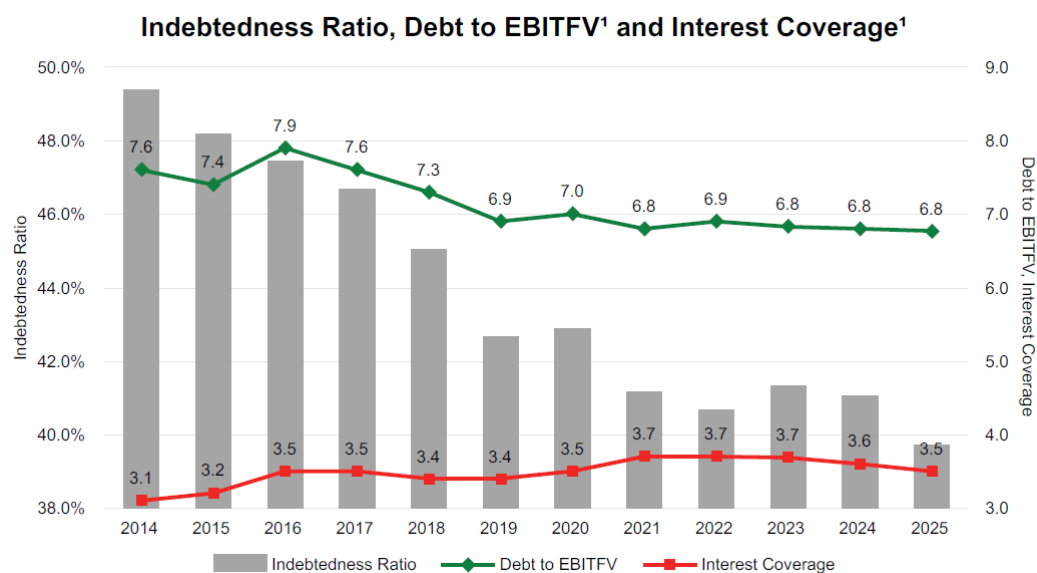


Summary. We really like what we see. Stock market and corporate bond analysts are taught to look for rising ROE as a positive indicator. Or, if the ROE is not rising at least it stays high. This means the profit that accrues for the stakeholder is improving (or consistently high). If given the choice, analysts are taught to also favor rising ROE, even from a small base.

b) **Balance sheet metrics are strong or improving.** We want the company to demonstrate financial strength, specifically the level of debt is manageable and the company’s cashflows are enough to cover annual interest payments. The reason for this is investors want to ensure the company has the financial capacity to survive future lean times. Real estate is a cyclical sector, and history is littered with the wreckage of companies that had too much debt during a recession.

CT REIT has thoughtfully provided us with the information we need for this assessment.

Table 2 – Debt ratios improving over time¹



Source: company reports, Q4 2025 Investor Presentation

Debt ratios are good, and we like the downward trend. Debt to operating cashflow (EBITFV) is stable at 6.8x, meaning that it takes about 7 years’ cashflow to pay off all debt – it seems a lot, but for a real estate company it is reasonable. The operating cashflow is more than 3.5x annual interest expenses, which is good.

Liquidity is excellent.² There is tremendous financial flexibility if required. There is \$303 million of cash sitting in the bank and unused committed bank credit lines. The parent and majority Unitholder, Canadian Tire Corporation, has \$104 million of uncommitted credit lines. If CT REIT needs a few million bucks in a hurry for an acquisition, it can act quickly.

No interest rate risk or refinancing risk near-term.² 93.6% of ~\$3 billion in debt is at fixed rates with a weighted average interest rate of 4.36%. There is no need to worry about interest expenses going up if interest rates rise because almost all debt is at a fixed interest rate. There is no need to be concerned about any debt coming due for 5 years – the average term to maturity of debt is 4.6 years.

Summary. CT REIT demonstrates solid financial strength – the company has a strong balance sheet.

c) **Asset quality is very high.** As a REIT, CT REIT owns land and buildings, and charges tenants rent – that is how it generates revenue. According to the company, at December 25, 2025²:

- 95.8% of tenants are considered “investment grade”. This means they are not going to miss a rent payment.
- Leases are locked in for the long term, the average being over 7 years with built-in annual rent increases of 1.5% per year. Rent escalators are beneficial to mitigate the company’s costs especially during rising inflation.
- Occupancy is 99.5%, which is astonishingly high. This suggests to us the company owns properties in desirable locations.

Summary. We are not surprised by the good asset quality. Canadian Tire Corporation has a franchise model, where individuals own a retail store, lease the location and pay rent. CT REIT was spun out of Canadian Tire Corporation, which owned real estate that largely had Canadian Tire stores as tenants. These locations are usually desirable. The nature of the business is hardware, hardline retail and auto services – so while consumers may not need tools, hardware and tires daily, they are required regularly. The demand for Canadian Tire products may not be as constant as the need for groceries, but we cannot live without their products.

d) **Growth has been steady and stable on a per unit basis. Distributions have been growing.**

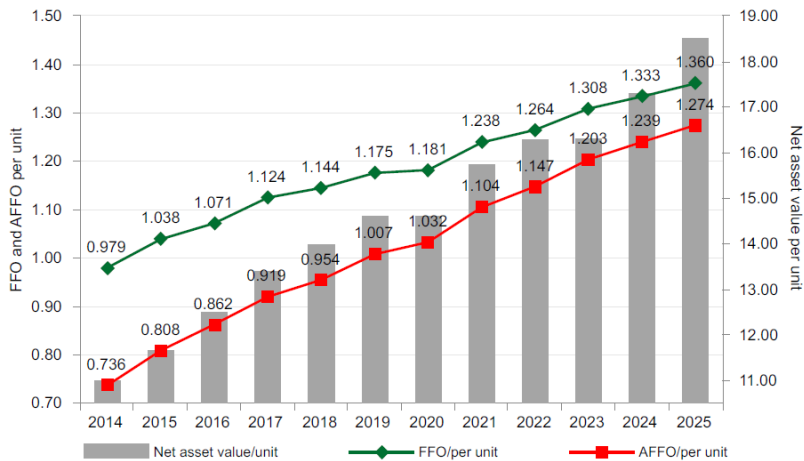
When we review growth on a per-unit basis, the trend is excellent.

¹ Operating cashflow is EBITFV: Earnings Before Interest, Taxes and Fair Market Value adjustments. Indebtedness Ratio is Total Debt/Total Assets. Interest Coverage Ratio is EBITFV / (interest expense + financing charges).

² Source: Company Reports, Q4 2025 Investor Presentation

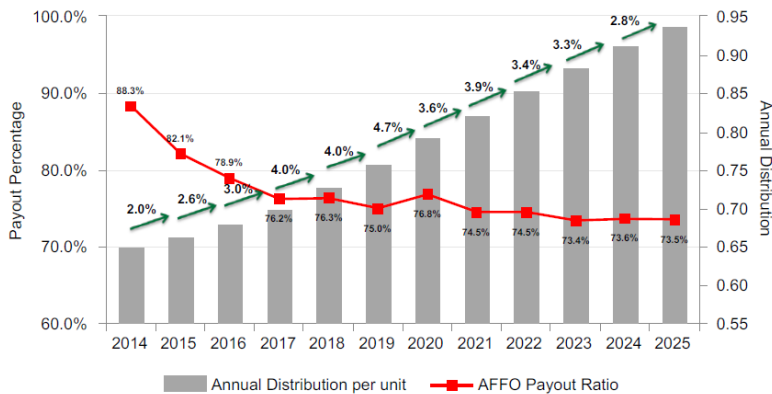
When analyzing REITs, we use AFFO (Adjusted Funds from Operations) per unit as a measure of economic profit and sustainable cash flow rather than net income.

Table 3 – Per Unit Growth



Source: Company Reports, Q4 2025 Investor Presentation

Table 4 – Growing Rewards to Unitholders



Source: Company Reports, Q4 2025 Investor Presentation

Growth has been excellent. Table 3 shows when CT REIT went public in 2013 the AFFO was \$0.736/unit. By the end of 2025 the AFFO had grown to \$1.274/unit.

Distribution payouts are reasonable and rewarding. Distributions are the cash reward a Unitholder gets after AFFO. When analyzing a REIT, it is important to check to see if the distributions paid are less than AFFO.

If ABC REIT pays \$1.50 in distributions but AFFO is \$1.00, then the AFFO payout ratio is 150% -- which is not sustainable. It is a sign the company may be in financial distress, or the distribution will be cut. The same can be said for corporations and net profit, we want dividends to be *less* than profit.

Table 4 above is our favorite chart so far. It shows the annual growth of the rewards to Unitholders to December 31, 2025. There have been 12 distribution hikes, totaling 45.9% – this means \$1.00 of distributions in 2014 has grown to \$1.46 today. The payout ratio has declined from 88.3% to 73.5%, an excellent trend showing the financial strength and flexibility of CT REIT – for every dollar of profit (AFFO), only 73.5 cents is paid out. For a REIT this is an excellent payout ratio, and it suggests that more distribution hikes should follow.

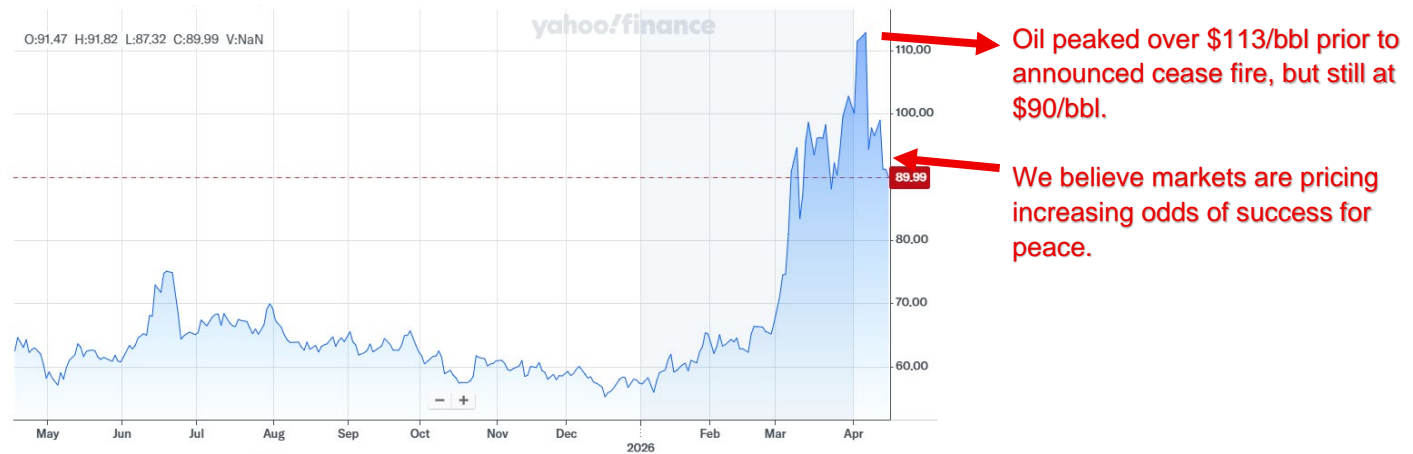
Summary. Nothing wrong with inflation protection. We have been repeatedly telling clients that putting money in a bank savings account will not keep up with inflation. General inflation in Canada for February 2026 is 1.8% (January 2.3%), but food inflation is still unpleasant at 5.3% (January 7.3%).³ *With 12 distribution hikes of 2.0% to 4.7% since 2013, unitholders have been rewarded with an income stream that at least keeps up with the cost of living. This is exactly the outcome we want when we buy CT REIT for our clients.*

³ <https://tradingeconomics.com/canada/inflation-cpi>

Part 2 – Iran War, Energy Prices and Stock Markets

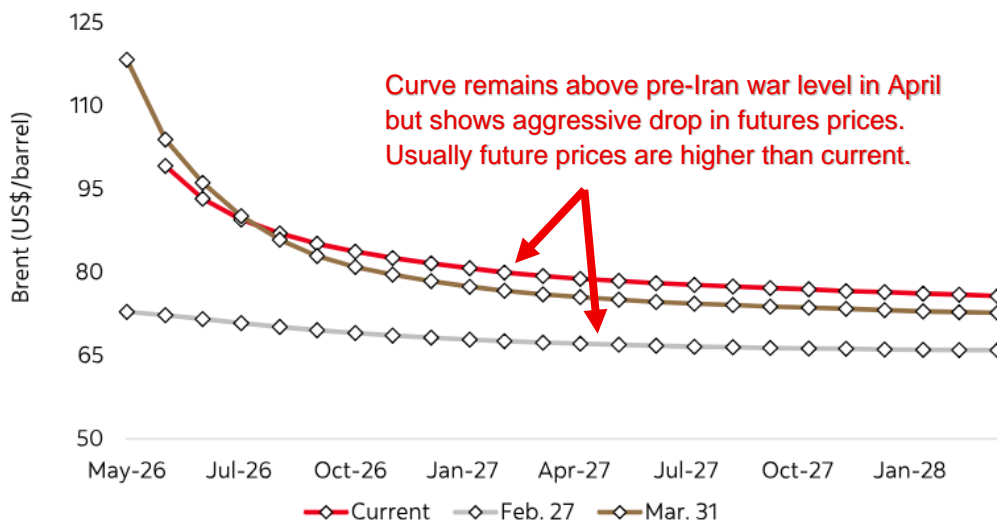
There is currently a war going on between the U.S., Israel and Iran. This has caused an oil shock as the Strait of Hormuz, where Gulf oil passes, has been blocked.

Table 5 – West Texas Intermediate Crude Oil



So why do we believe the odds for peace are increasing? Well, we're not the only ones to have come to this conclusion. The investment market's opinion is shown next. This table is courtesy of Scotiabank and shows that if one buys oil today (over \$100 for Brent crude), it is much more expensive than contracting to buy oil for January 2027 (\$80). Because the future is considered uncertain it is usually the other way around, namely spot (current) prices are lower than futures prices.

Table 6 – Oil Futures Curve



Source: Scotia Wealth Management, *Morning Strategy Note*, April 17, 2026

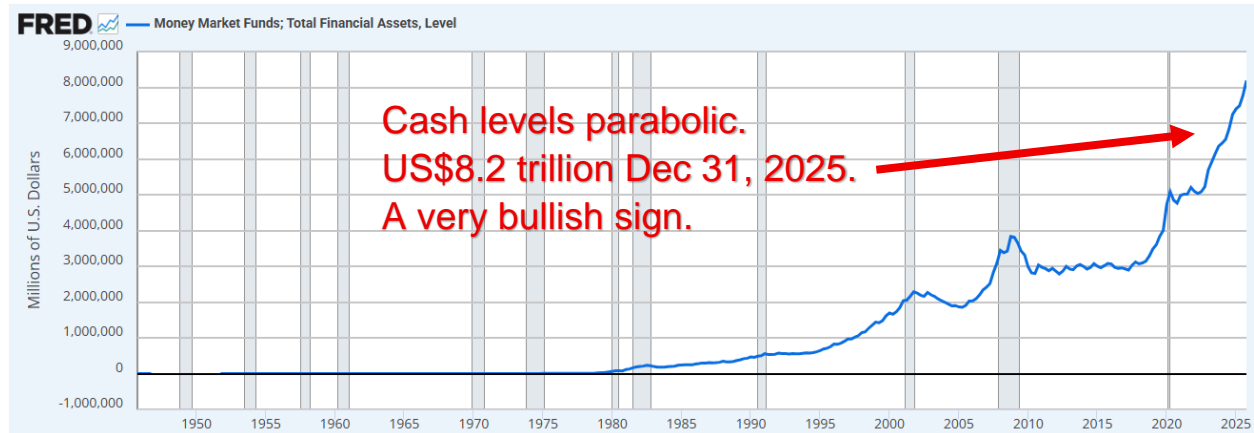
This oil shock is inflationary. Gasoline is over \$2.00/L in Vancouver. In Toronto gasoline has been as high as \$1.86/L in early April and is currently \$1.74/L.⁴ Both the Canadian and U.S. central banks did not lower interest rates in March, and we believe the central bankers will want clarity on the duration of the oil shock. We believe the markets are now expecting the next drop in interest rates between late 2026 to 2027.

But have the stock markets reacted to the price shock and geopolitical events? Well, yes. But it was relatively short lived at only a few weeks. The S&P500 fell 10% in March 2026 but it has now recovered and is back to its all time highs (Table 8 below).

⁴ <https://www.gasbuddy.com/gasprices/british-columbia/vancouver> <https://toronto.citynews.ca/toronto-gta-gas-prices/>

Here's why we believe pullbacks will be shorter than historically. There is simply too much investment cash sitting on the sidelines waiting for a big fall in the stock market. We've shown this chart below, but here it is updated to the end of December 31, 2025.⁵

Table 7 – Record investment cash at Dec. 31, 2025



Source: fred.stlouisfed.org/series/MMMFFAQ0275

Table 7 shows US\$8.2 trillion dollars sitting in money market funds in the U.S.A. This represents investment cash to us. This is even higher than when we last wrote about it. Investment cash typically builds up during recessions, which are the shaded areas of Table 7. In this case the cash levels have gone parabolic even though there is no recession.

High cash levels are a **bullish** indicator for the stock markets, and when this goes parabolic it means it is even more bullish, in our opinion.

This level of cash represents delayed purchasing, which is supportive of the markets. Imagine an investor in their 50's or 60's who has gone to cash at Trump's Liberation Day announcement April 2025 and missed a huge market rally (Table 8). If investors did not reinvest their cash back into the market they could be faced with the prospect of working past their desired retirement date. Perhaps this is a reason why the "bear market" was so short lived. Compounding investment growth is a very powerful retirement tool. No one wants to work an extra 3-5 years, having missed out on valuable growth. Investors may start chipping away at their cash and reinvesting in the market when there is a market pullback.

Table 8 – S&P500 Price Movement – Blink & Miss the Bear Market

S&P 500 (^GSPC) ★

7,146.19 +104.91 (+1.49%)

As of 12:50:38 p.m. EDT. Market Open.



Source: Yahoo Finance, April 17, 2026

⁵ <https://fred.stlouisfed.org/series/MMMFFAQ0275>

Summary. As of this writing April 17, 2026, the Strait of Hormuz in the Middle East, a choke point for energy and materials shipped from the Gulf States, has started re-opening.

Energy traders are willing to accept *less* money to buy/sell oil in the future, when it is usually the other way around – a sign of the falling risk of the Iran war and the oil shock. This is good for the future outlook of inflation, the trend in declining interest rates, and bullish for the investment markets.

The level of cash sitting on the sidelines waiting for a pullback has gone parabolic, which we believe is a very bullish sign. Usually cash increases during recessions (in U.S.), which we do not have right now. This high level of cash represents dry powder to support the market whenever there is a pullback.

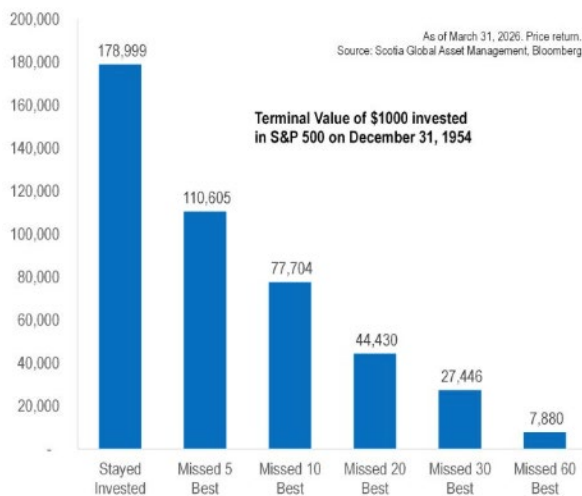
Part 3. Concluding Remarks.

Please note our detailed discussion of CT REIT is meant to illustrate our investment process and how we make investment decisions. It is not an investment recommendation as REITs may not be suitable for all clients. If you have any questions about your portfolio or REITs specifically, please [contact](#) us.

In our discussion of the oil markets, we believe our opinion regarding the possibility of a peace settlement is consistent with how energy traders feel – buying oil today is more expensive than entering into a deal to buy oil in the future. If our readers want to impress friends and family they will say oil is in *contango* when there should be normal *backwardation*.

This last table illustrates the critical importance of staying fully invested at all times. It comes from our friend and investment strategist Myles Zyblock, whom we have had the privilege of knowing for over 2 decades.

Table 9 – What Happens When Going to Cash (USD\$)



Courtesy Myles Zyblock on LinkedIn, Apr.16, 2026

Mr. Zyblock notes facts professional investors have known for a long time:

- \$1,000 invested in the S&P500 January 1, 1955 was worth \$179,000 by March 31, 2026;
- If you miss the best 10 days since 1955, \$1,000 grows to \$77,700;
- Miss the best 30 days since 1955, \$1,000 becomes \$27,000;
- Miss the top 60 days since 1955, \$1,000 becomes only \$7,880.

Market timing by going to cash is a strategy that will lower returns, which is the exact opposite that people who go to cash expect. This is why institutional asset managers will stay invested at all times, regardless of geopolitical or economic risks. The risk of missing out the best days outweighs any other consideration.

Part 2 of our investment letter reinforces our constant messaging to our clients, advising to stay fully invested within your level of risk tolerance. Remember, there is US\$8.2 trillion in idle cash from investors who have gone to the sidelines waiting to market-time; they missed out on a rally that could have helped their retirement. This is not a club we want our clients to join.

We will sign off with a few of our favorite real estate quotes:

"The best investment on Earth is Earth."

-- Louis Glickman

"Don't wait to buy real estate. Buy real estate and wait."

-- Will Rogers

"Buy land, they're not making it anymore."

-- Mark Twain

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Thank you for entrusting us with your investments. As always, we welcome your questions and comments. You can [contact](#) GIM by telephone: 1.888.436.9955, fax: 1.866.541.7947 or email: invest@gold-im.com

Yours truly,

GOLD INVESTMENT MANAGEMENT LTD.

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